

Applicant's Representations

1. Applicant is an open-end diversified management investment company that was organized as a corporation under the laws of the State of Washington. On November 26, 1933, applicant filed a registration statement to register its shares under the Securities Act of 1933. The registration statement was declared effective on November 26, 1933, and the initial public offering commenced on that date. On November 12, 1940, applicant registered under the Act as an investment company.

2. On May 6, 1993, applicant's board of directors approved an agreement and plan of reorganization (the "Plan") between applicant and SAFECO Common Stock Trust, a registered open-end management investment company organized under the laws of Delaware (the "Acquiring Fund").¹

3. By moving its assets from a Washington corporation to a Delaware trust, applicant expects its shareholders to benefit from the adoption of new methods of operations and employment of new technologies that are expected to reduce costs. For example, Washington corporations are required to hold annual meetings, whereas Delaware trusts have no such requirement. Further, Delaware trusts generally have greater flexibility than Washington corporations to respond to future contingencies, allowing such trusts to operate under the most advanced and cost efficient form of organization. For example, Delaware law authorizes electronic or telephonic communications between a Delaware trust and its shareholders. In addition, as one of several series of the Acquiring Fund, applicant's shareholders should enjoy certain expense savings through economies of scale that would not be available to a stand-alone entity.

4. On May 7, 1993, applicant filed proxy materials with the SEC and afterwards distributed such proxy materials to its shareholders. Applicant's shareholders approved the reorganization at a regular meeting of shareholders on August 5, 1993, that was reconvened at a special meeting of shareholders on September 22, 1993.

5. Pursuant to the Plan, on September 30, 1993, applicant transferred all of its assets to the Acquiring Fund in exchange for shares of the Acquiring Fund. Immediately thereafter, applicant distributed *pro rata* to its shareholders the shares it received from the

Acquiring Fund in the reorganization. On September 30, 1993, applicant had 11,872,883.263 shares outstanding, having an aggregate net asset value of \$148,894,185.84 and a per share net asset value of \$12.54.

6. Expenses incurred in connection with the reorganization, consisting of legal fees, accounting fees, and printing and mailing costs for the proxy solicitation, were approximately \$22,710 and were paid by applicant.

7. There are no securityholders to whom distributions in complete liquidation of their interests have not been made. Applicant has no debts or other liabilities that remain outstanding. Applicant is not a party to any litigation or administrative proceeding.

8. Applicant filed articles of dissolution with the State of Washington on October 1, 1993.

9. Applicant is not now engaged, nor does it propose to engage, in any business activities other than those necessary for the winding up of its affairs.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret M. McFarland,

Deputy Secretary.

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[Release No. 34-35601; File No. SR-PHLX-95-18]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to the Automated Options Market System and AUTO-X Eligibility of Certain Orders

April 13, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on April 4, 1995, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with the Securities Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The PHLX proposes to codify its practice of accepting stop, stop-limit,

all-or-none, or better, simple cancel, simple cancel to reduce size (cancel leaves), cancel to change price, cancel with replacement order, market-on-close, opening-only-market, and possible duplicate orders for delivery through the PHLX's Automated Options Market ("AUTOM") system. In addition, the PHLX proposes to codify its practice of accepting orders designated as "day" orders, which are executable on the day they are entered or not at all, and good-till-cancelled ("GTC") orders for delivery through AUTOM and execution through AUTO-X, the automatic execution feature of AUTOM. Currently, day orders and GTC orders are accepted on the PHLX's trading floor as both manually entered orders on floor tickets and through AUTOM.

The text of the proposed rule change is available at the Office of the Secretary, PHLX, and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposal is to codify (1) the acceptance of certain order types and designators for electronic execution through AUTOM; and (2) the designation of certain types of orders that are executed through AUTO-X. AUTOM, which has operated on a pilot basis since 1988 and was most recently extended through December 31, 1995,¹ is the PHLX's electronic order

¹ See Securities Exchange Act Release No. 35183 (December 30, 1994), 60 FR 2420 (January 9, 1995) (order approving File No. SR-PHLX-94-41). See also Securities Exchange Act Release Nos. 25540 (March 31, 1988), 53 FR 11390 (order approving AUTOM on a pilot basis); 25868 (June 30, 1988), 53 FR 25563 (order approving File No. SR-PHLX-88-22, extending pilot through December 31, 1988); 26354 (December 13, 1988), 53 FR 51185 (order approving File No. SR-PHLX-88-33, extending pilot program through June 30, 1989); 26522 (February 3, 1989), 54 FR 6465 (order approving File No. SR-PHLX-89-1, extending pilot through

¹ Applicant's board of directors determined that the Plan was in the best interests of applicant and that the interests of applicant's existing shareholders would not be diluted as a result of effecting the transactions.

routing, delivery, execution and reporting system for equity and index options. AUTOM is an on-line system that allows electronic delivery of options orders from member firms directly to the appropriate specialist on the Exchange's trading floor.

Orders for up to 100 options contracts are eligible for AUTOM and public customer orders for up to 25 contracts are eligible for AUTO-X, the automatic execution feature of AUTOM.² AUTO-X orders are executed automatically at the disseminated quotation price on the Exchange and reported to the originating firm. Orders that are not eligible for AUTO-X are handled manually by the specialist.

At the inception of the AUTOM pilot program, only customer market orders were AUTOM-eligible. Thereafter, the Commission approved proposals permitting delivery of marketable limit, GTC, and cabinet orders (accommodation transactions) through AUTOM.³

Exchange By-Law Article X, "Standing Committees," Section 10-18, "Options Committee," grants authority over all connections and communications on the options floor, including AUTOM, to the Options Committee. Pursuant to this authority, the Options Committee decided in 1991 to accept certain additional order types for AUTOM and AUTO-X in the interest of maintaining fair and orderly markets.

The PHLX proposes to incorporate the following order types into the AUTOM

pilot program: stop,⁴ stop-limit,⁵ all-or-none,⁶ market-on-close,⁷ opening-only-market,⁸ and cancel-replacement orders.⁹ In addition, the PHLX proposes to codify the following order conditions into the AUTO pilot program: or better,¹⁰ possible duplicate orders,¹¹ and several types of cancellation conditions—simple cancel, simple cancel to reduce size (cancel leaves) and cancel to change price.¹² Currently, these orders are accepted and these designations are utilized for both manual and AUTOM-delivered orders.

With respect to automatic executions, market and marketable limit orders currently are eligible for AUTO-X. The PHLX proposes to codify its practice of designating AUTO-X orders with the conditions "day" or "GTC." Market or marketable limit orders, like all AUTOM orders, are necessarily "day" orders expiring at the end of the trading day or

GTC orders that are good until cancelled. Thus the PHLX explains that the proposal to codify the use of "day" and "GTC" designators for AUTO-X merely reveals the life span of AUTO-X orders, without adding new order types.

The Exchange believes that these order types are appropriate for AUTOM and AUTO-X because they are commonly utilized in the securities industry and have been accepted through AUTOM since 1991 without significant problems reported by AUTOM users. In addition, the PHLX believes that incorporating such orders into AUTOM extends the benefits of these systems to additional order types.

The PHLX states that all of the additional order types and designators are currently accepted on the Exchange as manual orders, and are thus defined in PHLX Rule 1066, "Certain Types of Orders Defined." The PHLX specialist can accept these orders for placement on the limit order book. According to the PHLX, permitting these orders to be routed by AUTOM directly to the specialist does not affect the handling of the orders by the specialist. For example, an AUTOM order can be placed on the book. None of these orders are discretionary orders, which may not be placed on the book under Floor Procedure Advice ("Advice") A-2, "Types of Orders to be Accepted onto the Specialist's Book."¹³ Thus, according to the PHLX, the effect of the proposal is to permit orders that can now be held by a specialist to be routed electronically through AUTOM, as opposed to being routed manually through trading floor representatives.

The Exchange notes that the material terms of these orders are relayed to the specialist by AUTOM and displayed on the order ticket, which is printed at the specialist post. This information is the same as if the order were manually delivered. A computer screen displays the following information respecting incoming AUTOM orders to the trading crowd: numeric designation, buy or sell, call or put, volume, symbol, month, strike, price, and time received.

Accordingly, the PHLX believes that the proposal is consistent with Section 6(b) of the Act, in general, and, in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by codifying certain order types and condition designations into the AUTOM

⁴ A "stop" order is a contingency order to buy or sell when the market for a particular option contract reaches a specified price. A stop order to buy becomes a market order when the option contract trades at or above the stop price. A stop order to sell becomes a market order when the option contract trades at or below the stop price. See PHLX Rule 1066(c)(2), "Stop (stop-loss) Order."

⁵ A stop-limit order is a contingency order to buy or sell at a limited price when the market for a particular option contract reaches a specified price. A stop-limit order to buy becomes a limit order when the option contract trades at or above the stop price. A stop-limit order to sell becomes a limit order when the option contract trades at or below the stop price. See PHLX Rule 1066(c)(1), "Stop-Limit Order."

⁶ An "all-or-none order" is a market or limit order to be executed in its entirety or not at all. See PHLX Rule 1066(c)(4), "All or None Order."

⁷ A "market-on-close" order is a market or limit order to be executed as close as possible to the closing bell, or during the closing rotation and should be near to or at the closing price for the particular series. See PHLX Rule 1066(c)(6), "Market-on-Close Order."

⁸ An "opening-only-market" order is a market order which is to be executed in whole or in part during the opening rotation or not at all. See PHLX Rule 1066(c)(5).

⁹ "Cancel-replacement" is an order which requires the immediate cancellation of a previous order prior to the replacement of a new order. See PHLX Rule 1066(c)(7), "Cancel-Replacement Order."

¹⁰ The designation "or better" indicates that the originator of the order is aware that the market is currently better than the limit price of the order; this order is not filled at a price outside of the "or better" price. The "or better" designation is used to verify the validity of the order and confirms that the order was entered on the correct side.

¹¹ "Possible duplicate" is a status which indicates that before an AUTOM order is executed manually by the specialist, the specialist should confirm that the order has not yet been executed.

¹² Various types of cancellation conditions and procedures are defined in Option Floor Procedure Advice A-6, "Responsibility to Cancel Orders on the Book" as well as PHLX Rule 1066, "Certain Types of Orders Defined." The designation "simple cancel" indicates that an order is to be cancelled, while "cancel leaves" indicates that the size of a previous order is being reduced and "cancel to change price" cancels the price of a previous order.

¹³ Under Advice A-2, a specialist may not accept option orders consisting of two or more option series (e.g., spread, straddle, and combination orders).

December 31, 1989); 27599 (January 9, 1990), 55 FR 1751 (order approving File No. SR-PHLX-89-03, extending pilot through June 30, 1990); 28625 (July 26, 1990), 55 FR 31274 (order approving File No. SR-PHLX-90-16, extending pilot through December 31, 1990); 28978 (March 15, 1991), 56 FR 12050 (order approving File No. SR-PHLX-90-34, extending pilot through December 31, 1991); 29662 (September 9, 1991), 56 FR 46816 (order approving File No. SR-PHLX-91-31, permitting AUTO-X orders up to 20 contracts in Duracell options only); 29782 (October 3, 1991), 56 FR 55146 (order approving File No. SR-PHLX-91-33, permitting AUTO-X for all strike prices and expiration months); 29837 (October 18, 1991), 56 FR 36496 (order approving File No. SR-PHLX-90-03, extending pilot through December 31, 1993); 32906 (September 15, 1993), 58 FR 15168 (order approving File No. SR-PHLX-92-38, permitting AUTO-X orders up to 25 contracts in all options); and 33405 (December 30, 1993), 59 FR 790 (order approving File No. SR-PHLX-93-57, extending pilot through December 31, 1994).

² The Commission recently approved a PHLX proposal to codify the use of AUTOM and AUTO-X for index options. See Securities Exchange Act Release No. 34920 (October 31, 1994), 59 FR 5510 (November 7, 1994) (order approving File No. SR-PHLX-94-40).

³ See Securities Exchange Act Release Nos. 27599 (making day limit orders eligible for delivery through AUTOM) and 28978 (making GTC and cabinet orders eligible from AUTOM), *supra* note 1.

pilot program. Specifically, the Exchange believes that the additional order types benefit from the advantages of AUTOM, including efficient and prompt order delivery and execution.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The PHLX does not believe that the proposed rule change will impose any inappropriate burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days after April 4, 1995, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(e)(6) thereunder. In particular, the Commission believes that the proposal does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference

Section, 450 Fifth Street NW., Washington, DC. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by May 10, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-35600; File No. SR-PSE-95-06]

Self-Regulatory Organizations; Pacific Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to New Organizational Structures

April 13, 1995.

On February 21, 1995, the Pacific Stock Exchange, Inc. ("PSE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Articles V and VIII of its Constitution to allow for the admission of entities with new organizational structures as member organizations.

The proposed rule change was published for comment in Securities Exchange Act Release No. 35443 (March 6, 1995), 60 FR 13196 (March 10, 1995). No comments were received on the proposal. This order approves the proposed rule change.

I. Proposal

The PSE Constitution currently allows members of the Exchange to confer the privileges of their memberships on a firm which may be either a partnership or a corporation. The Exchange is proposing to amend Article VIII, Section 1(a) of its Constitution to provide that the Exchange may, in its discretion, and on such terms as the Exchange may prescribe, approve as a member firm, entities that have characteristics essentially similar to corporations, partnerships, or both.³ In addition, the

Exchange is proposing to amend Article V, Sections 4, 5, and 7 of the PSE Constitution (definitions of "member firm," "member organization," and "associated person") to be consistent with the proposed change to Article VIII, Section 1(a). The Exchange is proposing to add the phrase "or other organization" to the definitions of "member firm" and "member organization" and to add the phrases "member of a Limited Liability Company" and "trustee of a business trust" to the definition of "associated person." These amendments would permit the Exchange to approve business trusts, limited liability companies and other organizational structures as member organizations so long as the characteristics of the entity in question are essentially similar to those of corporations or partnerships.

The Exchange believes that the rule change is consistent with Section 6(b) of the Exchange Act, in general, and Section 6(b)(5) in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest.

II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Sections 6(b).⁴ Specifically, the Commission believes the amendment is consistent with the Section 6(b)(2)⁵ of the Act, which requires the rules of an exchange, subject to the provisions of Section 6(c) of the Act,⁶ to ensure that any registered broker or dealer or natural person associated with a registered broker or dealer may become a member of the exchange and any person may become associated with a member thereof.

The PSE Constitution currently allows members of the Exchange to confer the privileges of their membership on a firm which may be either a partnership or a corporation. The amendments would enable entities with new organizational structures similar to corporations and partnerships to become Exchange members and be included in the Exchange's definition of a member organization. As in the case of a partnership or corporation applying for

since this is a prerequisite to becoming an Exchange member organization. Telephone conversation between Michael D. Pierson, Senior Attorney, PSE, and Elisa Metzger, Senior Counsel, SEC, on March 3, 1995.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(2).

⁶ 15 U.S.C. 78f(c).

¹⁴ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange stated that non-corporate or partnership entities would have to be structured in such a format that would qualify as a broker or dealer registered with the SEC pursuant to the Act,